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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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July 27, 1976

MEMORANDUM FOR THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE SECRETARY OF DEFENSE  
THE ATTORNEY GENERAL  
THE SECRETARY OF THE INTERIOR  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE SECRETARY OF LABOR  
THE SECRETARY OF HEALTH, EDUCATION,  
AND WELFARE  
THE SECRETARY OF HOUSING AND URBAN  
DEVELOPMENT  
THE SECRETARY OF TRANSPORTATION  
THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY ✓  
THE ADMINISTRATOR OF GENERAL SERVICES  
THE ADMINISTRATOR, NATIONAL AERONAUTICS  
AND SPACE ADMINISTRATION  
THE CHAIRMAN, CIVIL SERVICE COMMISSION  
THE ADMINISTRATOR, SMALL BUSINESS  
ADMINISTRATION  
THE ADMINISTRATOR OF VETERANS AFFAIRS  
THE ADMINISTRATOR, ENERGY, RESEARCH AND  
DEVELOPMENT ADMINISTRATION  
THE ADMINISTRATOR, ENVIRONMENTAL PROTECTION  
AGENCY  
THE ADMINISTRATOR, FEDERAL ENERGY  
ADMINISTRATION

SUBJECT: Presidential Management Initiatives

At the President's management meeting on July 23 he asked that we advise you promptly as to the specific actions he expects to be taken by each agency.

As you know, the meeting covered a lot of territory. For purposes of this follow-up we have divided the subject matter as follows:

1. Decisionmaking and departmental organization.
2. Evaluation of current programs.
3. Reduction of the burden of Federal reporting and regulations.
4. Contracting out and holding down overhead costs.

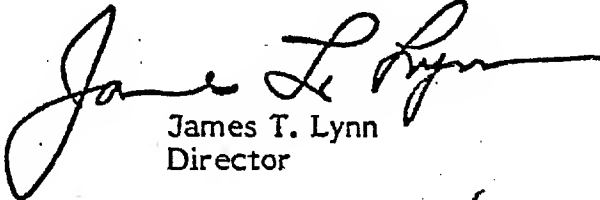
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A more detailed summary sheet of things to be done in each of these areas is attached. As you will note some actions are to be taken in the near future -- by August 23, September 3, September 21, or October 21, as the case may be -- but some go into fiscal year 1978. However, whatever these specific times for action, we would appreciate having from you by August 23 an overall plan as to how you are going about tackling each of the initiatives. Within two weeks of receipt of your initial plan, we will be back to you with such comments and suggestions as we may have.

The President wants to be brought up to date monthly on how each of the agencies is progressing. Accordingly, we will be sending to you shortly a suggested format to be used for this purpose. We hope that there would be two such reports submitted in time for the next management meeting, which the President expects to hold in mid-September.

I have asked Fernando Oaxaca, Associate Director for Management and Operations, to coordinate these matters for me. He can be reached on 395-3423. I would appreciate your letting me and Mr. Oaxaca know as soon as possible the name of the person in your agency who will be responsible for this overall effort.

Many of the tasks contemplated by these initiatives are not easy ones. However, the President has given us clear marching orders and I believe that by working together some very substantial further improvements will result. If my staff or I can be of help at any point along the way, please let us know.

  
James T. Lynn  
Director

Attachments

I. DECISIONMAKING AND DEPARTMENTAL ORGANIZATION

Each agency should:

- A. Determine the extent to which there is a unit within the agency reporting directly to the agency head which has the mandate from the agency head (and the requisite personnel) to assist the agency head in carrying out the following in an unbiased manner: (a) determining MBO's, (b) assuring that important decisions are made only after consideration of all relevant factors, including the impact on competing priority goals of the Administration and on programs of other agencies, and the views of the public, (c) identifying the need for and guiding the design and implementation of program impact and efficiency evaluations, (d) assuring prompt and complete implementation of the agency head's decisions, and (e) coordinating all of the foregoing with the agency's budget process.
- B. By September 21, report to OMB on the agency's assessment of its situation with respect to A above and the steps taken and remaining to be taken to establish or upgrade such a unit. Such steps shall not involve an increase in ceilings or supergrades.
- C. Review for possible improvement, the agency's MBO's for FY 1977, and in accordance with OMB guidance to be furnished, submit proposed agency head MBO's for FY 1977 and 1978, as part of the FY 1978 budget process.
- D. Promptly include among the agency's MBO's those necessary to carry out the actions directed by the President at the meeting.
- E. Develop and insist on utilization of the decisionmaking checklist approach to decisionmaking. OMB will provide promptly a draft with a request for comments and suggested revisions within 30 days.
- F. Review current staffing patterns and structures to identify unnecessary position layering and excessive organizational subdivisions. Develop a plan to consolidate subunits with similar and related functions. Establish guidelines which will be reviewed by OMB for "assistant to" positions, including number per policy official and grade level. Procedures should be established to ensure at least agency deputy level review of proposals to create new subdivisions and "assistant to" positions.

OMB is developing procedures whereby each year, in conjunction with budget submissions, each agency will also submit a management plan for the budget year. Such plans will include initiatives to carry out actions directed by the President at the meeting as well as such other management initiatives as appear desirable. Management plans will be reviewed and finalized in the Presidential budget process.

## 2. EVALUATION OF CURRENT PROGRAMS

Each agency should:

- A. Assign to its policy and evaluation unit (see 1.A and B in Decisionmaking and Departmental Organization) responsibility to identify the need for, and guide the design and implementation of program impact and efficiency evaluations. For this purpose program impact evaluation means the comprehensive assessments of program impact to determine whether a program is adequately and effectively meeting its objectives as established (or perceived) in statute or regulation. Program impact evaluations also seek to determine the cost, including the extent of unintended adverse consequences. Efficiency evaluations do not question the need for or intent of the program. Efficiency evaluations may focus on a given segment of a program to determine if there are ways of achieving costs savings, or a more efficient approach to providing service delivery under the program, or a less burdensome way to achieve the programmatic objectives. At the meeting, this was referred to as "Operation Barnacle Removal."
- B. By August 23, identify to OMB ten efficiency evaluations — determined on a priority basis — now underway or planned (a) for the period through December 31, 1976, and (b) to the end of FY 1977, all with timetables for completion. If the agency can't identify or handle ten, it must at least explain why not.
- C. Develop in accordance with OMB guidance which will follow, a management plan (to complement the agency budget submission for FY 1978), and as part thereof describe the agency's proposed program impact evaluations to be completed or at least started in FY 1977, FY 1978, and FY 1979. These plans will be reviewed and finalized in the course of development of the FY 1978 budget.

As part of such management plan, the agency will be expected to provide for systems that will assure (a) identification of those programs that should receive program impact and/or efficiency evaluations on a regular basis, (b) the proper timing and frequency, (c) proper design, (d) proper public participation in design and implementation, (e) proper interagency coordination in such evaluations, and (f) that such evaluations are properly coordinated with the budget process and policy-making.

3. REDUCTION IN THE BURDEN OF FEDERAL  
REPORTING AND REGULATION

Each agency should:

- A. Reduce the burden of Federal paperwork on the public (hours spent in compliance) by at least 5% by the end of FY 1977 and by an additional 15-20% by the end of FY 1978 (which gives enough time for enactment and implementation of substantial reform through legislation). By August 23, each agency is to submit to OMB a tentative plan for reducing paperwork burden further with timetables through December 31, 1976, FY 1977 and FY 1978. To the extent possible, each agency should adopt the 5%, 15-20% targets or better them. In addition to providing guidelines for agency use in achieving this goal, OMB will direct agency head attention to specific programs which appear to have large reporting burdens and will request that specific attention be given to these programs.

Overall ceilings will be established by OMB for the number of repetitive and single-time reports to be permitted. Present stringent short-term guidelines will come into effect automatically when ceiling is reached. Such guidelines will be introduced selectively for agencies which reach their assigned share of the overall ceilings even though the ceiling itself may not be reached for the Executive Branch as a whole.

OMB will develop additional standardized financial and administrative procedures to reduce the reporting burden on recipients of Federal grants.

- B. Agencies are to develop and submit to OMB specific schedules for regular, periodic review of regulations governing programs to assure that administrative procedures and reporting meet only basic continuing needs for agency program management. See evaluations above. Only as an example, consider improvements in auditing grantees; the same programs are often audited by Federal, State and local audit groups.

4. CONTRACTING OUT AND HOLDING DOWN OVERHEAD COSTS

A. Contracting Out. To further the objective of maximum reliance on the private sector in accordance with OMB Circular No. A-76, agencies should:

1. By August 23, submit to OMB an initial plan for increasing their reliance on the private sector to carry out overhead or program functions in accordance with the Circular. Unless very good reasons are given, each agency will be expected to identify at least five functions presently performed in-house that will be reviewed from this standpoint (together with timetables for action). Agencies will be expected to better these targets, wherever possible.
2. By September 21, review and revise their implementing instructions and procedures for contracting out to ensure that all in-house commercial and industrial activities are reviewed and terminated if not justified as an exception to the contracting out policy. Agencies are also expected to tighten the review of proposals to initiate or expand in-house commercial and industrial activities. To assure that such instructions are carried out, systems for periodic review of existing functions and review of new proposals from the standpoint of Circular No. A-76 should be installed.

B. Overhead Cost.

1. Identification of Overhead Costs. Agencies should set up systems for routinely determining and analyzing overhead costs. This need not involve costly new recordkeeping systems, but could rely instead on cost-finding techniques and special studies.
2. Travel. To hold down travel costs:
  - (a) Agency heads should personally review fiscal year 1976 reports of travel savings and accomplishments prior to submission to GSA in August 1976 (as required by OMB Bulletin No. 76-9, as amended) - to identify areas where greater improvement can be made.
  - (b) By September 3, agencies should develop and report to GSA plans to further reduce travel costs in fiscal year 1977. This plan should include a specific and challenging reduction goal and should reemphasize the OMB travel guidelines.
  - (c) OMB will forward suggested methods and procedures for agency consideration for further controlling travel to assist in the development of this plan.

3. ADP Practices.

- (a) Agencies with substantial ADP investments (i.e., those that received an OMB allowance letter in February 1976) should organize a program to:
- reduce the unit cost of data processing;
  - eliminate nonessential or marginal computer workload;
  - reduce equipment rental through increased competition;
  - analyze the need and methods used for expanding government computer capacity;
  - minimize the automatic computer issuance of inaccurate or unnecessary checks and purchase orders; and
  - strengthen agency ADP management to overcome problems of computer fraud and security.
- (b) By August 23, all such agencies should prepare and submit to OMB a plan describing the specific actions they will accomplish in each of the above areas. The plan should address both short and long term action steps. GSA will submit a plan for increasing the use of "third party" and "plug-to-plug" compatible ADP rental contracts government-wide.
- (c) By September 21, all agencies should submit a progress report indicating short term accomplishments in each area. For the very large ADP agencies (i.e., DOD, NASA, ERDA, Treasury, and HEW), this report will not include equipment rental reduction efforts.
- (d) By October 21, the very large ADP agencies are to submit the results of an equipment rental review to GSA. This review will identify the extent to which the agency is using "third party" and "plug-to-plug" contracting techniques, the savings that have resulted, and plans for extending the use of these techniques over the next year along with estimated additional savings.

4. Cash Management.

- (a) Agencies—particularly those with significant collection operations like HUD, Interior, FEA, SBA—should follow Agriculture's lead in cash management. Agencies should modernize their cash management practices to include:
- rapid billing and collecting procedures;
  - proper timing of payments; and
  - accurate cash forecasting.
- (b) Treasury and OMB will assist in these efforts, and, by October 21, report to the President on savings that have been or can be realized.

5. Reproduction Equipment.

(a) Agencies should:

- require more efficient use of reproduction equipment; and
- maximize centralized field duplication services.

(b) GSA should review agency efforts and, by October 21, report to the President on savings that have been or can be realized.

6. Audiovisual Activities.

(a) The Departments of Justice, Transportation, and Health, Education, and Welfare are scheduled to report to OMB in July on their plans for consolidating their audiovisual facilities in the Washington, D.C. area. A similar report is scheduled from the Department of Defense in August.

Heads of these Departments should personally review the reports prior to submission to OMB.

(b) In addition--to hold down overall audiovisual costs--all agencies should:

- Review existing facilities both in central offices and in the field, eliminate or consolidate, where possible (keeping in mind available facilities in other agencies and in the private sector).
- Establish controls to prevent the acquisition of unnecessary equipment and supplies.
- Use existing government-owned films, video tapes and recordings in lieu of new acquisitions, where possible.
- By September 21, OMB is to report the results of this effort to the President.

7. Telephone Equipment and Usage.

(a) Millions are spent annually on telephone services provided by GSA through the Federal Telecommunications System as well as those services secured by direct telephone contract.

(b) To reduce the cost of telephone equipment and usage, agencies should:

- Review existing telephone equipment and usage to ensure optimum use of this service.

- Request GSA's assistance in the review as appropriate.
- Report to OMB, by September 3, on achieved and expected savings in telephone equipment and usage.

8. Mailing Practices.

- (a) To effect cost savings in postal mailings, the National Archives and Records Service (NARS) and Postal Service are submitting a plan to OMB on ways in which savings can be realized.
- (b) Agencies should:
  - Issue instructions on the most economical utilization of available services based on the guidelines and handbooks issued by NARS.
  - Provide adequate training for employees to implement the instructions.
  - Monitor mail practices to insure that mail is sent by the most economical means.
  - Seek the assistance of NARS and the Postal Service to effect economies in the handling of mail.
  - Report to NARS by September 21 on achieved and expected savings in mail practices.

9. Office and Other Space.

- (a) To effect efficiencies in space utilization, agencies should:
  - Review present space utilization and assure that per person square footage of space is kept to a minimum in keeping with efficient accomplishment of the agencies missions, and
  - Submit plans to GSA by August 23.
- (b) GSA should rewrite Federal Property Management Regulations to reflect new space utilization standards and other requirements growing out of studies and reviews of agencies' space needs. This should be done by October 21, if possible.

10. Record Storage

- (a) To keep unnecessary paperwork from piling up in files that are seldom if ever used and take up needed floor space, agencies should dispose of or retire records to storage in accordance with records control schedules.
- (b) GSA should review and reenergize agency efforts in these areas, and, by September 21, report to OMB any savings that have been or can be realized.

## 5. PERSONNEL MANAGEMENT

Executive Selection and Development - Identification and training of personnel having executive promise, and development of incumbent executives.

Work Force Quality - Evaluation of employee programs which affect overall work force quality, specifically: recruitment, employee performance evaluation, career advancement, managerial incentives and training.

Position and Classification Management - Systematic reexamination of internal systems, and appropriate corrective action to restrain grade escalation and to eliminate duplication of work or under-utilization of personnel.

Productivity Measurement - Improvement of productivity measurement and extension of such measurements to functions not presently covered, as a means of judging both managerial and individual staff performance and of improving productivity.

Employment Ceilings - Adherence to Presidential employment ceilings and avoidance of congressionally mandated minimum employment levels.

- A. Agencies should establish and improve comprehensive selection and development systems, under Executive Manpower Resources Boards, providing:
- Selection processes which ensure that, when management vacancies occur, they are filled carefully with the best qualified individuals available.
  - Identification of mid-career employees with the greatest managerial potential, and provision of developmental experience to prepare them for future responsibilities.
  - Planned training and other developmental opportunities designed to focus incumbent managers' attention on their managerial responsibilities and to enhance their abilities.
- B. Each agency, by September 3, should identify (or establish) one executive selection and development system to serve as a model for stimulating the establishment of comparable systems in all major organizational components by the end of FY 1977.
- C. As an immediate part of this long-range and continuing effort, agencies should, by September 21, implement an operational "high potential" identification system and prepare individual development plans for a small number of people with especially high potential.

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D. Agencies should, by August 23, begin a year-long program of evaluation of employee programs in order to identify priority ways of improving overall work force quality. These evaluations will cover the quality of recruitment, the employee performance evaluation process, career advancement, managerial incentives, and training programs.

*Compensation  
System  
OP*  
E. Agencies should, by September 3, begin a year-long program for the careful, systematic reexamination of internal position management and classification systems called for in the President's May 27 memorandum, in accordance with CSC instructions issued July 2. *OP*

✓ OMB and CSC may specify special reviews or instructions on a selective basis, in agencies where there seem to be excessive problems of overgrading, duplication of work, or underutilization of personnel resources. ✓

F. Agencies should institute a program to refine existing productivity measurements and extend them to a substantial number of functions not now covered. They should include a progress report on this program as part of their FY 1978 budget submission. General guidance and assistance will be provided by the Bureau of Labor Statistics and the National Center for Productivity and Quality of Working Life.

Agencies should increase the applied use of productivity measures in supporting staffing and budget requirements and for purposes of management evaluation and control. A government-wide goal of two percent improvement in productivity, in the functions currently measured, will be set between now and the end of FY 1978. Each agency should include projected improvements in its calculations for its FY 1978 budget request.

G. Heads of agencies should take a personal interest in ensuring that Presidential employment ceilings for both full-time permanent and total employment are not exceeded.

*only  
agency  
which  
disrupts*  
H. Agencies should evaluate their current internal systems for administering personnel ceilings to look for better ways of ensuring compliance with those ceilings and providing flexibility for intra-agency ceiling reallocation. A report on this evaluation should be submitted to OMB by September 21. *OP/Comp*

*Final report 23 August*

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MEMORANDUM FOR: ✓ Deputy Director for Administration  
Deputy Director for Intelligence  
Deputy Director for Operations  
Deputy Director for Science and Technology

SUBJECT: Productivity Management Program

REFERENCE: OMB Memorandum for Heads of Executive Departments  
and Establishments, dtd. 13 July 76, Same Subject

A copy of the referent memorandum is attached for your information and action. I endorse the objectives outlined and urge your full cooperation in supporting the concept of productivity enhancement. You and your program managers should continue to seek ways to further improve productivity and to achieve economies in the conduct of Agency activities. Meaningful and measurable results of actions taken to increase productivity should be emphasized in your program and budget submissions.

STATINTL

[Redacted Signature]

E. H. Knoche  
Deputy Director for Central Intelligence

cc: Comptroller

Attachment:  
As Stated



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OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

July 13, 1976

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Productivity Management Program

The President has put special emphasis on programs to increase productivity in all sectors of our economy. He has been particularly concerned that ways be found to increase productivity in the Federal sector.

Primary responsibility to improve productivity is with each agency head. It is only through your full support and personal attention to bringing about improvements that we can realize the President's goals. I, therefore, urge each of you personally to insure that every opportunity to improve your agency's productivity is realized.

In order to carry out these objectives, I want to clarify changes in central agency assignments made since the OMB memorandum of July 9, 1973 on productivity and to emphasize new responsibilities under P.L. 94-136, the National Productivity and Quality of Working Life Act of 1975.

Under this law, the National Center for Productivity and Quality of Working Life was established with broad responsibilities for sustaining productivity growth in all sectors of the economy. As part of this responsibility, the Center will assume coordination of the internal Federal productivity improvement program, and provide guidance and assistance to agencies in developing internal productivity improvement and measurement programs. It will issue the annual productivity data call and report annually to the President and Congress.

With the assumption of the annual reporting responsibility by the Center, the annual report heretofore prepared under the Joint Financial Management Improvement program (JFMIP) auspices will be discontinued after completion of the report for FY 1975.

I want to assure the continuity of the productivity activities which have been carried on by the current participants in the joint Federal program. In this regard I ask their full cooperation and support of the Center.

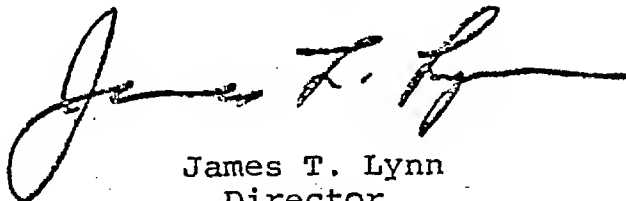
Jointly with the Center and the Federal agencies, the Bureau of Labor Statistics (BLS) will assure the validity and utility of the data, provide an analysis of the data, provide guidance in developing and improving output indicators, and compute productivity indices.

Jointly with the Center, the Civil Service Commission will determine the impact of Federal personnel policies, statutes and regulations on productivity and quality of working life, and will provide policy guidance and technical assistance to agencies about the personnel management aspects of productivity.

These assignments are intended to provide renewed emphasis to efforts to improve the productivity of Federal agencies. I ask your full support of the new Center and the associated agencies with major central responsibilities for fostering improved productivity. Also, each of you should be fully aware of your specific additional responsibilities under Title III, P.L. 94-136.

In consideration of the recent increases in productivity measurement in the Federal agencies, and in accordance with requirements of sections 13.3 and 24.2 of OMB Circular A-11, you should factor productivity improvement into your budget request. In this regard, OMB will consider productivity trends of the departments and agencies as part of the budget review.

You should also insure that productivity and work measurement are extended to all practical areas and that the data are integrated into your management control and evaluation systems. I want to reemphasize that the basic responsibility for improving productivity rests with the Federal agencies. Each of you should insure that your managers, at every level, take a personal interest in pursuing every opportunity to improve your productivity.

  
James T. Lynn  
Director

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1. Decision Making and Departmental Organization

- (F) Review current staffing patterns and structures to identify unnecessary position layering and excessive organizational subdivision.

Agency regulation [REDACTED] establishes policy on organization and manpower controls and charges each Deputy Director, the Director of Personnel, the Comptroller, Heads of Career Services and others with responsibilities for, among other things, identifying unnecessary position layering and excessive organizational subdivision. Inspection and survey bodies such as the OP/Position Management and Compensation Division and the Inspector General's Staff review, on a continuing basis, organizational make-ups and make recommendations accordingly.

Develop a plan to consolidate subunits with similar and related functions.

PMCD, through its survey and review processes, makes recommendations in the areas of duplication of efforts. A comprehensive plan to consolidate subunits should, in our view, be developed based on findings of all inspection and review bodies at the Agency level such as the "unit" described in 2A.

Establish guidelines which will be reviewed by OMB for "assistant to" positions, including number for policy official and grade level.

PMCD uses general criteria in assessing needs for "assistant to", "deputy", "special assistant", etc. positions. For example, is it being established primarily for continuity; is the work load too much for one person; is the superior frequently away for extended

periods and, if so, can such responsibility be assigned on a part-time or rotating basis to other personnel, and can the work be performed in an "operating" component? Specific guidelines and standards have not been developed which would control when "assistant to" positions are to be established, by whom, at what grades, etc.

5. Personnel Management

Position and Classification Management - Systematic re-examination of internal systems, and appropriate corrective actions to restrain grade escalation and to eliminate duplication of work or underutilization of personnel.

A prima facie look would indicate that CIA has internal systems and appropriate corrective actions to do the things indicated above and more. The system is there in name but the substance is very weak and diluted. There are no clear-cut policies and procedures on what is supposed to be done, who is to do it, and lines of authorities to carry out the policy. Several major studies have been done in this area e.g. "Van Dam" and "IG" <sup>and</sup> a number of others on a lower level. To date, little has come of any of them. The answer is, of course, a clear-cut statement from the Director in this critical area of organization and <sup>p</sup>osition Management and Control.

- H. Agencies should evaluate their current internal systems for administering personnel ceilings to look for better ways of insuring compliance with those ceilings and providing flexibility for inter-agency ceiling reallocation.

The system of allocating ceiling and complying with them is based, generally, on a number of planning devices including Annual Personnel Plans, Budgets, and MBO's and, if done properly, is probably as good as any. The question of flexibility for intra-agency ceiling reallocation is a different matter and, in our view, there is not a system whereby ceiling can be reallocated and moved smoothly from one component to another.